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**STUDYING ON THE SMEs SUPPORTING POLICIES
OF TAIWAN'S GOVERNMENT
UNDER THE GO SOUTH POLICY
Past, Present and Implications for Vietnam**



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I. INTRODUCTION

1.1. Research Motivation

For all countries over the world, the SMEs always play important and significant role in the development path of the national economies. Both Taiwan R.O.C and Vietnam are not exceptions. In 2017, the number of Taiwan's SMEs reached a record level of 1,437,616 and accounted for 97.7 % of all enterprises. In addition, the number of employed persons in SMEs rose to 8,904,000 — the highest level in recent years — and represented 78.44 % of all employed persons in Taiwan. These statistics clearly illustrate that SMEs function as a stabilizing force in the labor market and a key driving force of the country's economic development. The annual sales of SMEs in 2017 came to NT\$12,139 billion, accounting for 30.22 % of the total annual sales of all enterprises in Taiwan¹. Recently in Vietnam, the SMEs have accounted for 98% of the total enterprises (of which 72.8% are micro and 1.7% are medium), employed 64% of employment, but only 48% of the total capital, contributed to about 45% to GDP, 31% to the total government revenue and 14.1% of the export value².

Besides, the reality and the studies have pointed out that in the context of increasing globalization, accelerating technological changes and higher market requirements, many SMEs, even modern ones in developed countries, face difficulties on the path of internationalization related to their competitiveness. That is why the governments have to carry out appropriate policies to support SMEs to overcome those difficulties in order to contribute to the national economic development.

Looking backwards in the beginning of the 1990s, in order to expand its impacts and participation in the global and regional industrial chain and investment networks, Taiwan's government has launched various regional initiative, among them was the Go South Policy, firstly launched by President Lee Teng-hui in 1994 and developed by his successors, especially the recent president Tsai Ing-wen. In the light of this Go South Policy, Taiwan's government has made a radical change in the SMEs' supporting policy making through the establishment of the Small and Medium Enterprise Administration (SMEA) under the Ministry of Economic Affairs in 1994 with the vision to create an environment beneficial to the establishment and growth of SMEs. Its main responsibilities are to formulate plans for the development of SMEs, to do research related to SMEs, to provide the assistance to improve their capacity (technological, financial, human resource development...) and management. By this way, SMEA is key player in the SMEs' policy making process in Taiwan.

¹ SMEA, 2018 White Paper, p. iii

² OECD/ERIA (2018), p. 467

Up to date, there are a lot of studies on the assessment of the Taiwan's SMEs supporting policies. Among them are Lall S. (2000), Hall, C and Harvie, C (2003), Chiao Yu-Ching, Yeh Ming-Liang and Chuang Ju-Sung, Chiao Yu-Ching, Yang Kuo-Pin and Chwo-Ming Joseph Yu (2006), Tsai Wan-Ching (2007), Kuo M.H.C. and McLean G.N. (2008), Chang Ting Ting (2011), Hu Ming-Wen (2011) Wu Kuo-Feng, Li Xue Cunningham, Wei Tsung-Che (2017). These studies were carried out at different time, by researchers from different countries, related to different aspects of the research topic, but the common is the recognition of the Taiwan's government important role in the SMEs development and internationalization. This investigation is attractive to other researchers to carry out studying on how Taiwan's government could help its SMEs to develop and go to the regional and international market, what are its policies and activities from the time of the beginning of Go South Policy and how these policies are changing in order to appropriate with the changing circumstances?

On the other side, based on the results of the SME survey in 2015, there are many obstacles that the Vietnam's SMEs have to deal with, such as financial shortage but limited access to bank credits, low technological level, low competitiveness so that difficult to participate in the regional and global production network and value chains. The Vietnam's government has paid more and more attention on the SMEs policy reforms, but the results seem to be not adequate. In this context, doing research on Taiwan's SME supporting policies and measures to draw out some policy implications for Vietnam's government is very significant.

1.2. Research Objectives

The main objective of this study is to understand the Taiwan's government's supporting policies to their SMEs in the context of Go South Policy. By this way, it will make useful policy implications for Vietnam's government to improve its supporting policies for SMEs.

1.3. Research Methods

The historical approach is used to identify how national strategies, policies, and practices are implemented to support SMEs development and going abroad in Taiwan from the past to present in the context of Go South Policy. The descriptive and comparative analysis methods mainly used for study of the Taiwan's government perception, its policy dimensions, main policies and measures that have been applied up to date in order to prove that the government is very consistent in the policy making and implementation towards the SMEs sustainable development. After making some concluding remarks, the study is made some implication for Vietnam's government to improve their effectiveness and enforcement by using the comparative analysis of the current circumstance and the SMEs supporting policy implementation in Viet Nam and Taiwan.

In this research, the secondary data from the Taiwan's and international data base are used, mainly from SMEA, Ministry of Economic Affairs and other related ministries, National Central Library, NCKU library and websites.

II. RESEARCH FOUNDATION

2.1. *Challenges of the SMEs*

Studying on challenges of the SMEs is relatively attractive to the researchers all over the world. Based on their studies, it is pointed out that despite of the difference in the SME definitions among countries, the challenges they have to face with are the same. In Paul Vandenberg, Pornpinun Chantapacdepong and Naoyuki Yoshino (2016), the authors have emphasized that SMEs face a number of size-induced market failures that affect their survival and limit their growth. These failures occur in the key areas that contribute to firm competitiveness, such as accessing technology and engaging in innovation, accessing finance, securing and training skilled workers, and accessing markets³. Beside, these authors have founded that the SMEs also face with many size-induced government failures, such as barring enterprises below a certain size from accessing a support program, setting flat fee charges for all firms, and asking SMEs to comply with the same regulations as large enterprises, making the cost of compliance proportionately costlier for smaller firms.

It is easy to find the support of other researchers in the world on these above mentioned findings related to the SME challenges, but by their own approach, classifications and highlights. In their study, Osotimehin, K.O, Jegede, Charles. A, Akinlabi, Babatunde. H and Olajide, O.T (2012) have pointed out that there are various challenges facing micro and small scale enterprises in Nigeria; while some are financial others are non-financial. The financial constraints include limited access to financing, inadequate sources and supply of funds, poor business history, high risks, associated with starting new business, which banks tend to avoid, insufficient collaterals. Experts from UNIDO and UNODC have added some more problems that SMEs in developing countries may face as a result of their size in the context of high level of corruption, including the preoccupation with solving day-to-day problems and survival, the limited bargaining power and access to public officials, the high degree of reliance on interpersonal relations with suppliers, clients or the local community, the difficulties in taking advantage of profitable opportunities outside their local networks of personal relations because of problems accessing information or enforcing contracts, the cost of training employees, per unit of sales, is much higher than for large enterprises (UNIDO and UNODC (2012)).

Arie Kapteyn and Saw Htay Wah (2015) have concentrated on three major obstacles faced by Myanmar SMEs, namely lack access to credit, public services, electricity, but have noted that there were other dimensions that merit further study including the availability and cost of land and shortage of skilled labor in certain sectors. Recognizing the constraints to SME growth is a relatively well-researched area in ILO (2015), the authors have pointed out the three biggest

³ Paul Vandenberg, Pornpinun Chantapacdepong and Naoyuki Yoshino (2016), p. 10

constraints across countries are access to finance, access to electricity and competition from informal enterprises, which vary according to countries' level of development as well as by regions. In Taiwan, the government always pay serious attention to help the SMEs in overcoming their challenges in financial, human shortage, improving the entrepreneurship and management skills, building of sustainable environment for their development, which are clearly presented in the annual report "White paper on SMEs in Taiwan", published by Taiwan's Small and Medium-sized Enterprise Administration (SMEA).

2.2. Policies and Measures for Supporting SMEs

It is clear that the SMEs play very important role in the ensuring of sustainable economic development of all countries over the world. At the same time, it is clear to be aware that the size-induced market and government failures always are big challenges on their development path. That is why all the governments have to carry out a range of policies and measures for supporting the SMEs to overcome them. In order to be effective, the supporting policies and measures for SMEs are: (1) to address market failures specific to this group enterprises; and (2) to promote the special economic contributions of SMEs based on the respective context and level of the country's economic development, for examples, to employment creation, to enterprise upgrade and transformations or to improvement of innovation capacity.

It let to understand that the supporting policies and measures are varying from country to country, from one period to another in the one country's development process. Studying the SME development in the developing Asia in the last ten years, Yoshino, N. and F. Taghizadeh-Hesary (2016) have found their challenges are difficult access to financing, lack of information for SMEs, low level of R&D and insufficient use of information technology. The remedies they suggested to tackle there challenges are diversifying channels of financing, building of SME database and credit risk analysis, more R&D tax incentives and utilizing of ICT for SMEs. When the focus is on the employment creation, the supporting policies are directed to easier access to finance, entrepreneurship training, building of the enabling environment supports employment and economic growth, to improve working conditions, SME productivity and value chain development (ILO (2015)). In the context of deeper regional integration and Industry 4.0 revolution, the governments have to focus on improving of SMEs competitiveness and innovation capacity.

III. TAIWAN'S SMEs AND THEIR ROLE IN ITS ECONOMIC DEVELOPMENT

In the recent 2-3 decades, the development of SMEs in Taiwan is moving ahead with encouraging results in almost key indicators, including the numbers of enterprises, employed person, paid employees, total sale, domestic and export value. The number of SMEs has increased from 1,078,162 to 1,437,616 enterprises in the period 2001-2017, accounted for more

than 97% of the total. In comparison with the large enterprises, the Taiwan's SMEs do stay a little bit behind in most indicators and times, but their contribution to the employed person and paid employees are very significant (accounted for about 76-78% of the total), their position in the domestic market and export sale is relatively stable over the years (accounted for 33-35% of the total annual domestic sale value and 14-15% of the total annual export value (Table 1 and 2 in Appendix 1). In addition, there is tendency towards increase the SMEs' export-orientedness,

There are some more noticeable features of the Taiwan's SMEs as follow⁴:

- Among SMEs, the largest share of enterprises are in the service sector, mainly in the wholesaling and retailing industry (79-80% of the total), followed by industrial sector (19* of the total) and very few in the agriculture (less than 1%).
- Taiwan's SMEs are concentrated more on domestic market, although their export value is gradually improving. In 2017, the domestic sale accounted for 88.20% of the SMEs total sale, while this share of the large ones was 69.41%⁵. Related to SMEs export, the industrial SMEs are the key actors in relation with that in the service and agricultural sector, which accounted for about 70% of the SMEs total export sale value (table 3 in Appendix 1).
- Regarding to the enterprises' age, there are two sides of the issue. In one side, it is supposed that the SMEs are more flexible in market entry and exit than large enterprises, being proved by the fact that the share of enterprises in existence below 10 years of the SMEs always is higher than of the large ones (48.74% and 21.78% in 2017 respectively⁶. In other side, the increase of the SMEs share in existence above 10 years from 41.83% in 2005 to 51.26% in 2017 is remarked as a major challenge to the Taiwan's policy makers and managers, because "SMEs in existence for 20 years or more suffered significant sales decline and "the crisis of the elderly age" as their first-generation entrepreneurs got into old age and lost their vitality and creativity"⁷.
- Regarding to the organization, the three most widespread types are the sole proprietorship, the limited corporation, and the corporation limited by shares. Among them, the share of the sole proprietorship is always more than half of the total SMEs.
- Female-owned enterprises account for about 35-36 % of all enterprises. Among them, about 99 % are SMEs. They are more oriented on domestic market and heavily concentrated in the wholesale and retail trade. In terms of longevity, the share of female-owned SMEs in

⁴ Based on the Whiter Paper on SMEs in Taiwan published annually from 2004 to 2018.

⁵ SMEA, White Paper on SMEs in Taiwan 2018, p. 6.

⁶ SMEA, White Paper on SMEs in Taiwan 2018, p. 11

⁷ SMEA, White Paper on SMEs in Taiwan 2018, p. 11

existence within 10 years usually higher than their share in existence for 10 years or longer. In the cases of male-owned SMEs, the situation is the opposite.

- Regarding to the financial status, the SMEs' profit ratio step-by-step are improving, mainly because of the operational costs decrease and the financial management better off; the main funding sources to the SMEs are the financial institutions and commercial credits, meaning that it is difficult to them to access to direct funding sources such as securities and bond markets; the SMEs are tended to spend more on long-term investments, including on R&D.
- There are some highlights worth noting regarding to the SMEs' manpower in Taiwan: a) There is an increase in the share of employed persons and paid employees with university and higher education in the total for all SMEs; b) From the years 2000, the number of people employed in the SME hi-tech and knowledge-intensive industries has gradually increased, reflecting the growing strength and importance of these industries; c) The number of self-employed persons in Taiwan is very high (peaked in 1991-1992 at around 1,572,000 and reached 1,322,000 in 2017); d) Working in SMEs is becoming more and more attractive to foreign workers.

IV. SUPPORTING POLICIES AND MEASURES OF TAIWAN'S GOVERNMENT TO SMEs

4.1. Overview of Taiwan's Go South Policy (GSP)

Since the 1990s, the process of economic liberalization and international economic integration has been strengthened in Taiwan to diversify relations and reduce reliance on the mainland China. On that basis, Taiwan's Go South Policy was born in early 1994 under President Lee Teng-Hui's administration to promote its relations with southern countries, first of all Southeast Asia. After 25 years of implementation with ups and downs, the GSP has always received support from the government of Taiwan (Republic of China). Particularly, since President Tsai Ing-wen came to power in October 2016, Taiwan's GSP has moved to a new development stage, with four main pillars of trade and economic links, connecting people together, sharing resources and talent and connecting regional institutions. By that way, the Taiwanese government hopes to "find a foundation for an economic community" in its relationship with the countries involved⁸. This New Southbound Policy under President Tsai Ing-Wen's administration is more comprehensive than her predecessors and is highly appreciated.

The grand diplomatic strategy and the relations with Mainland China play very important role in determining the strategic objectives of Taiwan's GSP. Ngeow Chow Bing (2017) has pointed out the relationship between Taiwan's diplomatic strategy and GSP through different presidential

⁸ An Introduction Guide to Taiwan's New South Bound Policy, published by Office of Trade Negotiations, Executive Yuan, Bureau of Foreign Trade, Ministry of Economic Affairs, 2017, p. 32

terms since its inception. To show the development of the GSP over time, the author distinguished GSP 1.1 and GSP 1.2 under President Lee Teng-hui with “pragmatic diplomacy”. GSP 2.0 - under President Chen Shui-Bian with "offensive diplomacy" and GSP 3.0 or New Southbound Policy - under President Tsai Ing-Wen with "cautious policy towards China". Under the time of President Ma Ying-Jeou belonging to KMT with the strategy of "viable diplomacy", the GSP is oriented to maintaining stability in the ASEAN region, participating in regional organizations and people-to-people linkages.

Through the GSP generations, its geographical scope has been fluctuated a bit, but the direction is towards enlargement. In the GSP 1.1, it covered only 5 maritime countries and Vietnam. The coverage was enlarged to all ASEAN countries plus Australia and New Zealand in GSP 1.2, because of the certain achievements in the previous one – increase of investments in the focused countries, signing of the official bilateral economic agreements. But the scope was narrowed again in GSP 2.0, because of the failure of the GSP 1.2. Under the Southeast Asia Policy of President Ma Ying-Jeou, the scope was enlarged again to all the ASEAN countries and this trend continue to enlarge under GSP 3.0 - to 18 countries from ASEAN, South Asia, Australia and New Zealand.

Table 1: Policy Dimensions of the Taiwan’s Go South Policy

Policy Dimensions	Economics	Politics	Culture
GSP 1.1	<ul style="list-style-type: none"> • Foreign aid • Investments 	<ul style="list-style-type: none"> • Advancement of existed formal diplomatic ties; • Development of new ones • Admission or readmission to international organizations and activities 	
GSP 1.2	<ul style="list-style-type: none"> • Finance • Asset Acquisitions 		
GSP 2.0	<ul style="list-style-type: none"> • Investment • FTAs • Agriculture, • Finance • Migration 	<ul style="list-style-type: none"> • To develop diplomatic relations with the existed and new countries to secure membership of international organizations • Lobbying for Taiwan 	
President Ma Ying-jeou’s Southeast Asia Policy	<ul style="list-style-type: none"> • Economic Diplomacy • Signing of Bilateral FTAs 		
GSP 3.0 “two-way cooperation”	<ul style="list-style-type: none"> • Economic and trade cooperation • Investment with focus on energy sector and infrastructure • Sharing of resources • Engaging all the stakeholders together 	<ul style="list-style-type: none"> • Focus on people or emphasize on soft power • To develop the comprehensive relations with targeted countries. • To promote regional exchanges and collaborations 	<ul style="list-style-type: none"> • Education • Cultural exchange • Talent exchange • People-to-People Ties

Source: By the author based on Chang Ting Ting (2011), Glasser B. S., Kennedy S., Mitchel D. and Funaiolo M.P. (2018) and Executive Yuan and Ministry of Economic Affairs (2017).

Regarding to policy dimensions, the GSP also has changes over the generations. In the GSP 1.0 and 2.0, economic and policy dimensions are considered to be predominant, sometimes more policy-oriented, such as under the era of President Ma Ying-Jeou. When it came to the 3rd generation, namely the NSP, the President Tsai Ing-Wen was not only covered the economic and political aspects of policy, but also focused much effort on developing the relationship between people and people through education, talent exchange, tourism development ... By this way, the multi-dimensions of GSP are most clearly reflected in GSP 3.0.

To implement GSP, the Taiwan government has mobilized a sizable financial resource and attracted the participation of many different agencies. For example, for the year 2017, the Executive Yuan provided a total (including special funds) of NT\$4.45 billion (US\$1.31 million) from the governmental budget to the 13 governmental ministries and several agencies involved in the New Southbound Policy implementation. The core players among them are the Ministry of Foreign Affairs, Ministry of Economic Affairs, Ministry of Education and the Tourism Bureau under the Ministry of Transportation and Communications.

So far, the implementation of GSP in Taiwan is considered to have brought about certain achievements. That is the increase in investment and followed by the increase in trade exchange, many bilateral agreements were signed and actively participated in the activities of regional organizations, especially APEC and ASEAN, more active cooperation in the tourism and education and training the relationship between people and people is growing, expressed by the increasing wave of migration, the number of employees from the targeted countries coming to Taiwan and the number of multicultural families (Chang Ting Ting (2011), National Bureau of Asian Research (2018) and Glasser BS, Kennedy S., Mitchel D. and Funaiole MP (2018)).

4.2. Progress in Conception of Taiwan's Government on Supporting of SMEs

Looking back at the historical economic development process of Taiwan, Chang Ting Ting (2011) pointed out that the role of SMEs for Taiwan's economic development improved and gradually confirmed since the 1960s of the XX century, when switching to the export-oriented industrialization. In fact, most of the SMEs have directed to export, so that contributed significantly to the Taiwan's GDP growth in the 1970s and 1980s. As a result, the Gini coefficient of the island has been improved. Because of this, many researchers think that Taiwan's success is due to implementation of the development model that is led by the government and its role in supporting the development of SMEs is significantly⁹. Through the analysis of the relationship between the government, the market and social institutions in supporting SMEs, Chang Ting Ting (2011) has recognized the Taiwan government role in

⁹ Among them are Lall S. (2000), Hall, C and Harvie, C (2003), Chiao Yu-Ching, Yeh Ming-Liang and Chuang Ju-Sung, Chiao Yu-Ching, Yang Kuo-Pin and Chwo-Ming Joseph Yu (2006), Tsai Wan-Ching (2007), Kuo M.H.C. and McLean G.N. (2008).

supporting SMEs, but he has added that until the 1990s, these policies had impacted more indirectly on the SMEs development, because the accessibility of official financial institutions of SMEs were very limited, due to they not met various required standards. However, this author has confirmed that the Taiwan government has succeeded in making rooms for social institutions to participate in financial providing to SMEs and applying the subcontracting system between the large and state-owned enterprises and SMEs. By this way, it not only created linkages between the enterprises in the production process, but also gave opportunities for SMEs to access the necessary resources and international markets.

When the democratization process became stronger, presented by the election was made from central to local level under the President Lee Teng-Hui administration in the early 1990s, the voices and position of the private sector, including SMEs, had improved significantly. In addition, the Taiwan's Ministry of Economic Affairs has drafted "Guidelines on Strengthening Economic Work on Southeast Asian Region" as the principal policy framework on GSP. In September 1993, the government submitted a "Policy Statement on Go South Investment" to the legislature, which was considered the starting point of the Go South Policy that the Taiwan government pursues until now. In this context, to promote Taiwan's investment, including the investment of SMEs, to Southeast Asia, the President Lee Teng-Hui administration has made a milestone in the SME supporting process that was the establishment of the Small Medium Enterprise Administration (SMEA) under the Ministry of Economic Affairs in 1994. Its vision is to create an environment that benefits to the establishment and development of SMEs, to support them to quickly and effectively connecting each other in the resources use and the competitiveness improvement. The five key operational areas of SMEA are: 1) *Creating a healthy environment for the development of SME* through adjustment of policies, providing information and consultation services, guaranteeing of legal rights of SMEs, developing of mechanisms for assessment of SMEA management, as well as related projects; 2) *Optimizing SMEs operational management capacities* through providing comprehensive management models and consulting services to adapt to international marketing standards, promoting of creativity but still preserve local culture and promote mutual cooperation; 3) *Building a platform for enterprise startup and incubation* not only through the formation of an innovative mechanism, but also development of investment funds, human resources development and promoting of international cooperation to support the start-up enterprises; 4) *Enhancing SMEs' information technology capacity* through providing guidance in the information management, encouraging the application of knowledge management, especially quality management according to international standards, e-commerce development; and 5) *Promoting sound development of SME finance* on the basis of improving financial management capacity and accounting systems for SMEs, mobilizing and coordinating activities between funds and private capital to meet the SMEs financial needs. Based on these main operational areas, SMEA's key

task is to develop the SMEs development plans, provide consultancy services to improve the technology, finance, human resources and management capacity of SMEs in the strict and effective coordination between the related stakeholders. With such task, SMEA play very important role in proposing and implementing programs and projects assigned for SMEs in Taiwan.

Looking backwards at the starting time of Taiwan's GSP implementation, it is clear that there were ups and downs based on the diplomatic strategy followed by the different president administrations¹⁰, but their conception on the SMEs support is always consistent throughout the time. All the efforts of the president administrations from President Lee Teng-Hui, Chen Shui-Bian, to President Ma Ying-Jeou and recent President Tsai Ing-Wen are towards building sustainable environment for business activities and providing appropriate and timely support for SMEs as an important driver for economic growth and social security for the society. It would be illustrated in their SMEs supporting plans and programs, policies and measures.

4.3. Dimensions of Taiwan's Government Supporting Activities to SMEs

In April 1991, the Taiwanese government has enacted the Act for Development of Small and Medium Enterprises to regulate the supporting policies and activities for SMEs' development. So far, the Act has experienced 8 amendments in order to adapt the changes in the national and international context, the requirements of the Taiwan's economic development process. The most recent amendment was taken place in January 2016. However the main purpose of this Act since its enactment up to now is for the furtherance of sound development of SMEs by helping them improve their operation environments, promoting mutual cooperation, and assisting them in striving for growth with their own efforts. At the same time, in the Act it is also confirmed that the issues that the Act did not mention would be adjusted under other relevant laws¹¹, implying that SMEs will have a certain support from the government, but also to comply with all other related regulations of the Taiwan's legal system.

The following are the main dimensions of Taiwan government's supporting activities as reflected in the Act for Development of Small and Medium Enterprises:

The first dimension is related to the market research and development. According to the Article 5 of the Act, "For furthering small and medium enterprises to conduct market research and development activities, the assistance and guidance provided by the competent authority to small and medium enterprises shall be emphasized on the provision of information services, the creation of exclusive brands for their own products, arrangement of marketing channels and/or development of potential market"¹².

¹⁰ Ngeow Chow Bing (2017).

¹¹ Article 1, Act for Small and Medium-sized Enterprises, 2016

¹² Article 5, Act for Small and Medium-sized Enterprises, 2016

The second dimension is related to furtherance of rationalization of business operations. The competent authorities should support SMEs in the research and development of new products, modernization and improvement of production facilities and technology, improvement of the operational management methods, expansion of market and acquisition of necessary information, support when the SMEs convert or adjust their business, ensuring resources and technical know-how for business operation.

The third dimension is related to promotion of mutual cooperation between SMEs. The competent authorities need to focus on supporting SMEs to establish vertical, horizontal, established and participate in the satellite-factory system, establishing of mutual funds or cooperatives, technological cooperation and development of common technologies, procurement of common equipment, set up of the strategic marketing points.

The fourth dimension is related to acquisition and securing of production factors and technology. The competent authorities are responsible for assisting SMEs in formation and accumulation of capital, acquisition of land, plant building, equipment, business site and business information, personnel training, improving labor productivity, ensuring the needed raw materials and technical know-how, assisting SMEs to obtain fund from capital markets, to improve the level of services and technical skills.

Based on the Act, to ensure the needed capital for SMEs, the Taiwan's government has decided to establish the SME Development Fund at the central level to mobilize resources and allocate it according to different programs, plans and projects, to provide financing assistance and guaranty. The Fund has its management committee, organizational structure and regulations for income and expenditure, safeguarding and utilization. There are many different organizations evolved in the Fund's operation, such as the Ministry of Economic Affairs and related agencies, financial institutions, banks, investment funds, legal consultancy in order to achieve the set goals - for the strong development of SMEs, and to comply with Taiwan's government laws and policies.

The fifth dimension is related to education and training of competent personnel. In the middle of the 1990s, Taiwan's government has carried out radically education reforms towards building of a lifelong learning society with the vision to cultivate excellent and creative people and to improve Taiwan's international competitiveness. This context is very convenient for education and training of competent personnel for SMEs.

And the sixth dimension is related to the establishment or sound development of small and medium enterprises. The competent agencies should coordinate with other public and private institutions in guiding and providing the necessary services to SMEs in the process of establishing a business, such as determining of the business fields, financial structure and management, production technology and management. In addition, the concerned agencies may set up funds to assist in the development of local culture industries for local economic prosperity,

may work jointly with relevant institutions, universities and colleges in the training of professionals in the fields of operation diagnosis and business administration, to provide necessary assistance to various industrial associations or industrial and commercial organizations, to assist SMEs to participate in public procurement and construction projects.

4.4. Taiwan's SME Supporting Policies and Measures

In order to provide effective supporting policies and measures to SMEs, the related agencies, leaded by SMEA, conduct the analyzing of SMEs' business performance, studying laws and experiences of countries when enacting relevant laws, assessing SME's ability to respond, thereby providing appropriate support solutions. The government always regulates SME-related laws, providing information on laws and policies enacted with necessary consulting services. The policies and measures that Taiwan's government implements to support the SMEs development are very diversified and adjusted based on the changes in the economic development process. They are focused on the following aspects:

4.4.1. Creating a First-rate Environment for SME Development

Creating a first-rate environment for SME development is one of the most prioritized long-term aspects of Taiwan's government supporting policies and measures, especially in the first decade of the SMEA operation. Aiming this, the SMEA has focused on coordinating of the revision of laws and regulations affecting SMEs, providing of the legal and regulatory information and consulting services, implementing activities to ensure the legal rights of SMEs, enhancing of the SMEs' ability to adapt to changes in the regulatory environment, undertaking of the research and analysis relating to SME development policy, in line with its goal of creating a superior environment for SME development. The following are some measures that Taiwan's government has been applies:

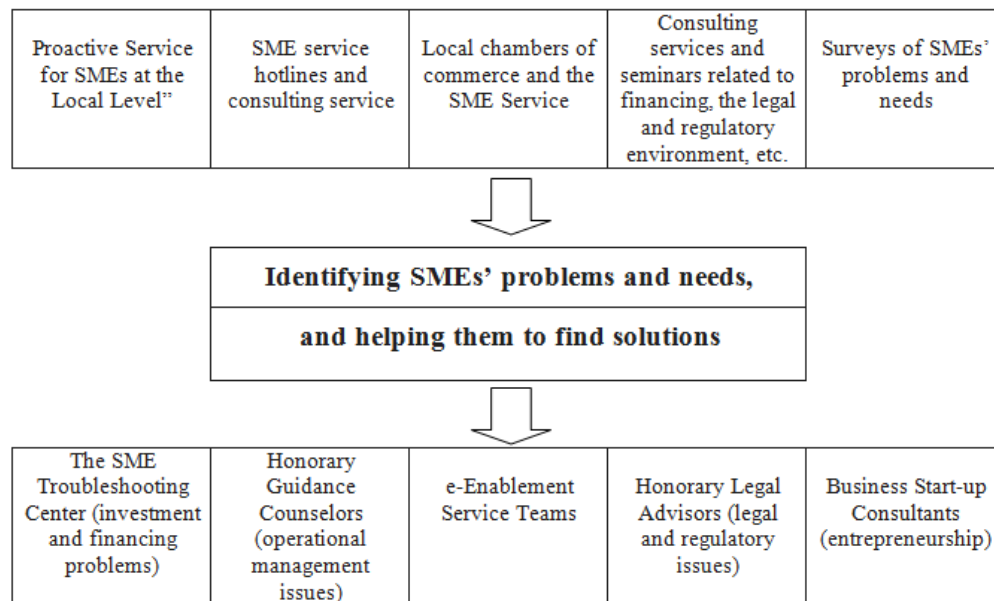
Coordinating of the revision of laws and regulations affecting SMEs

To prevent a situation where SMEs were forced to compete in a disadvantageous legal and regulatory environment, in 2000, an additional clause (Article 12-1) was added to the *SME Development Statute*, stipulating that, whenever government agencies at any level are engaged in drawing up or revising laws or regulations that would affect SMEs, they should take into considerations the special characteristics of SMEs (in terms of size, etc.). Regarding the need for revision of the law or enactment of new laws, the Taiwan's government requires research institutes to study the legal framework under which SMEs operate, and invites academics and experts to attend conferences and public hearings to discuss the adjustments that may need to be made to existing legislation. All completed reports are submitted to the executive branch for its reference when revision existing laws or formulating new legislation.

Provision of guidance and advisory services for helping the SMEs to comply with the laws and to solve their problems

In order to provide the guidance and advisory services to SMEs, the Taiwanese government established the *Local SME Service Center* at the city/district level in 1992, the *SME Troubleshooting Center* in 1996. The main duty of these centers is to help SMEs to understand correctly and timely the relevant policies, to provide the necessary services, helping SMEs to solve their operational difficulties that occurred in all the stages of their establishment and production process, to establish the linkages between local agencies and SMEs in their development. Beside the SME Troubleshooting Center also help them to access to the necessary production factors, especially the necessary capital, as well as to the market. This measure is very reasonable and practically significant for SMEs development. That is why these centers not only are established in all cities and districts, in all industries, but they are also effectively operated and made a major contribution towards helping Taiwanese SMEs to operate smoothly. It can be added that the Taiwan government strongly encourages SMEs to utilize the services of these centers.

Figure 1: The Channels and Mechanisms for Providing Assistance to SMEs



Source: SMEA (2009), White Paper on SMEs in Taiwan, 2009, p. 184

In order to help SMEs to improve their operational management and enhance their competitiveness, in 1996, the *Honorary Instructor System* has been established. The Taiwan's government selected business owners who had achieved success in their own activities and who had demonstrated a general enthusiasm for helping others, along with retired managers, government officials and other experts, and encouraged them to assist in the provision of

consulting services to local enterprises on a volunteer basis. After several years, thousands instructors were registered under this system. In 2005, A dual-track service mechanism has been established that incorporates the *SME Honorary Attorneys and SME Honorary Law Office*. The main aim of this mechanism is to solve SMEs' legal problems, reduce legal risk and search costs for SMEs, and provide SMEs with a legal inquiries service. The service is provided by telephone, fax, e-mail, in person or online through website (<http://law.moeasmea.gov.tw>), helping SMEs to overcome the problems that can result from their small size and lack of in-house legal specialists.

Box 1: Provision of Guidance to SMEs to Comply with the Requirements of the Consumer Protection Law

The Taiwan's Consumer Protection Law ("CPL") enacted on January 13, 1994 and its last amendment was in 2005. To achieve the systematic promotion of consumer protection concepts and knowledge in the customer-oriented era and the Taiwan's CPL, the SMEA is implementing a Plan to Assist SMEs in Complying with the Provisions of the Consumer Protection Law, to ensure that both business owners and employees understand the requirements of the Law. The following are the main activities implemented:

(1) Holding of Consumer Protection Law Guidance Presentations: From 2005-2010, many guidance presentations on the Consumer Protection Law were held, a number of which were at the request of SME business owners. Survey results showed an overall level of participant satisfaction with the presentations of over 90%. Besides providing more presentations at the request of SMEs, an effort was also made to ensure that the presentations more closely matched participants' needs. By this way, the awareness of the SMEs' owners on the CPL was improved significantly.

(2) Planning for the Consumer Protection Law Web Page and: In 2005, the SMEA designed a Consumer Protection Law web page, to provide information about related training courses. The content of the website was being updated every month; it includes details of laws, regulations and rulings relating to consumer protection, listings of consumer protection presentations, sample contracts, and government announcements.

(3) Publication of the Consumer Protection Law Handbook and Production of Promotional Material. In 2009, the *SMEs and the Consumer Protection Law* handbook was published.

Source: Based on SMEA, White Paper on SMEs in Taiwan, 2006, 2007, 2008, 2009, 2010

To encourage SMEs to develop an appropriate attitude towards legal affairs, efforts have been made to *provide education and training* with regard to legal and regulatory issues. The main topics of legal and regulatory education and training for SMEs are focused on the most common legal problems experienced by SMEs at the time of their implementation. In the time of the course, the SME honorary instructors and legal experts were invited to explain relevant laws and regulations and discuss case studies. By this way, the SMEs legal awareness is improved and their legal rights are protected.

Undertaking of the research and analysis relating to SME development policy

To gain a more in-depth understanding of the problems encountered by Taiwan's SMEs, the SMEA has undertaken research and analysis in several key areas, and has formulated suggested preliminary measures to provide assistance in these areas, to provide a reference for policy implementation in this regard. Every year, a certain number of researches have been carried out. For example, in 2008, various think-tanks were commissioned to undertake 17 major research projects related to SME development issues, some of them were "Strategies for the Development of Emerging Markets by SMEs," "SME Brand Management Models," "Strategies for the Future Development of SME Incubation Centers," "The Policies Adopted by the OECD Member Nations for Promoting New Business Start-up, and How These Policies can be Expected to Evolve in the Future," "Planning Guidance Mechanisms for Overhauling SME Finance – the London Approach," "International SME Innovation Policy," "Management Consulting Industry Guidance Models in Taiwan.". The results of these researches were used in the policy making process of SMEA and related agencies.

Beside, from 2005, the first National SME Development Conference was held to help Taiwan's SMEs to solve their problems. On this conference, it was decided that the conference will be held once every three years, meaning that the second one was held in 2008 to help Taiwan's SMEs to achieve sustainable development, and to leverage the combined wisdom of industry, government, universities and research institutes in the formulation of an SME development strategy for the future,. On these conferences, the SMEA has invited the related agencies, such as the Ministry of Economic Affairs' Industrial Development Bureau, the Bureau of Foreign Trade, Intellectual Property Office, Industrial Technology Department and Commerce Department to participate in the process of deciding which agencies should be given overall responsibility for implementing particular tasks, and which should be given an ancillary role. Where inter-ministerial collaboration is necessary, this will be coordinated by the main implementing agency and the supporting implementing ones.

Enhancing of the SMEs' ability to adapt to changes in the regulatory environment

In order to help create a first-class environment in which SMEs can grow and prosper, the SMEA strives to function as a bridge for communications via which SMEs and government agencies can coordinate the making of necessary changes to laws and regulations. For example, in January 2016, by adding a second clause to Article 36-2 and Paragraph 3 to the "Act for Development of Small and Medium Enterprises", with an aim to increase the positive effects of the preferential tax policies set forth under the Act to actively push for SMEs to increase the rate of employment among young people and increase the salaries of basic personnel¹³. Beside the laws amendments, the regulatory flexibility activities are made. For example, in 2017, The

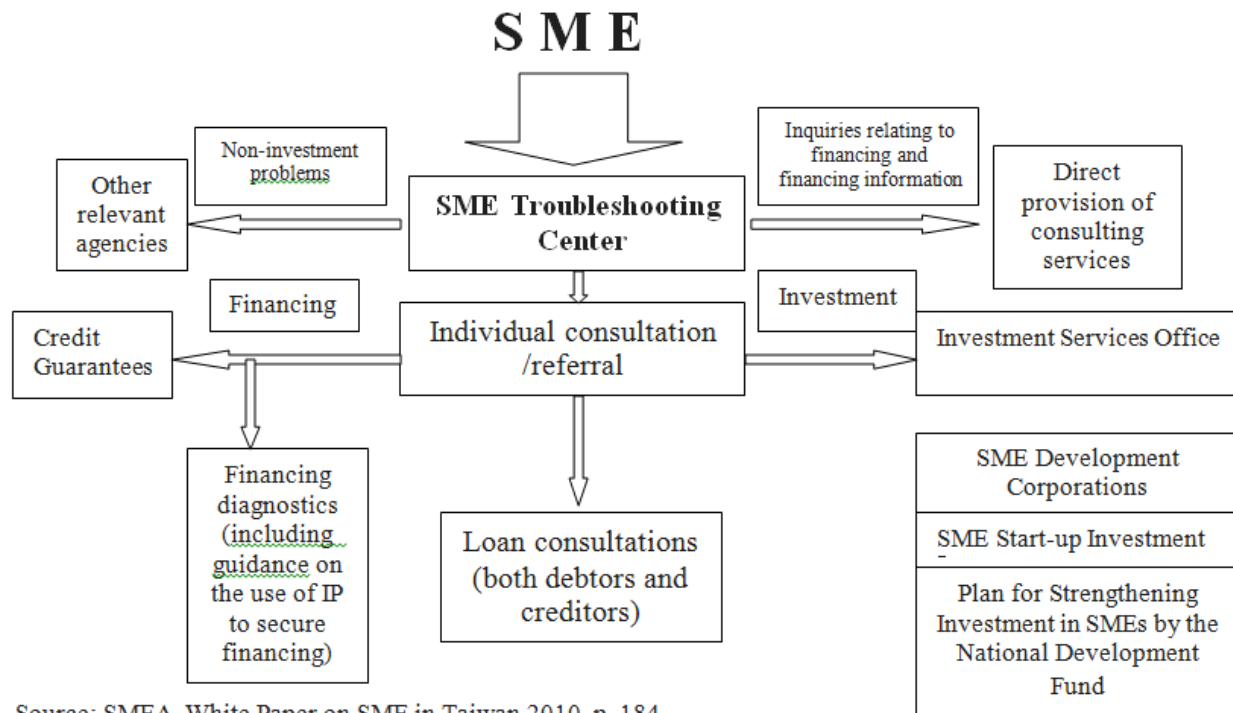
¹³ SMEA, 2017 White Paper on SMEs in Taiwan, p.99

SMEA held a forum and recommended relaxing restrictions on workplaces of foreign performers, so that it will be more convenient for domestic SMEs to hire foreigners for performance-related jobs, or organized industry forums and cross-departmental coordination meetings to communicate and clarify laws related to the establishment of home stay (bed & breakfast) facilities in urban planning districts, in hopes of driving the home stay industry's development and upgrading the overall tourism industry by satisfying the needs of home stay operators.

4.4.2. Strengthening SMEs financial and investment capacities

SMEs generally find it difficult to obtain funding from the capital markets because of their small size, operational weaknesses, and lack of financial transparency; in addition, SMEs often lack assets that can be used as collateral. The lack of enough funds seems to be inherent disease for all the SMEs over all the times and all over the world. That why all the governments always have to help them to acquire the necessary finance, Taiwan's government is not an exception!

Figure 2: Finance and Financing Consultation Mechanism



Source: SMEA, White Paper on SME in Taiwan 2010, p. 184

To help SMEs to secure working capital, the Taiwan's government has working actively to establish effective financing guidance mechanisms. The Figure 2 shows that the SME Troubleshooting Centers have played very important role in providing of various types of guidance, information and consulting services, to help SMEs with requests for emergency assistance in terms of providing of loans and credit guarantees for loans. Besides, the Taiwan's

government has decided to establish the SME Financing Service Windows at major banks in order to give to SMEs better access to financing information and encouraging them to make full use of the various low-interest loan schemes that the government provides. Later, the Financing Services Team was established to integrate the various financing services organizations and served as a platform for communication between SMEs and banks, facilitate implementation of the Plan for Strengthening Investment in SMEs by the National Development Fund. The aim of this integrating is to provide SMEs throughout Taiwan with timely consulting services relating to financing problems, financial management, accounting systems, etc. By helping SMEs to obtain the working capital they need, the Financing Services Team contributes to raising the competitiveness of Taiwan's SMEs. It is worth to note that by formulation of the Plan for Promoting the Use of Intellectual Property by SMEs to Obtain Financing, Taiwan's government not only help the knowledge-intensive enterprises to make effective use of their intellectual property to obtain the funding they need, but also the integrating the operations of the SME Credit Guarantee Fund in the Plan helps to reduce the credit risk that financial institutions are required to bear, thereby increasing financial institutions' willingness to extend credit to SMEs; in this way¹⁴. At the same time, SMEs are able to gain maximum benefit from their intellectual property, which should help to encourage firms to innovate and undertake R&D, thereby contributing to the transformation and development of the SME sector as a whole.

Taiwan's SMEs can obtain financing through the SME Financing Guidance System in the forms of project loans, mainly from the SME Development Fund and credit guarantees for loans from the SME Credit Guarantee Fund, which serves as an intermediary, helping SMEs to obtain financing from banks, particularly those SMEs that have insufficient collateral to obtain the loans they need. Generally, the credit guarantee recipients tend to be very small, mostly are in the traditional Industries, widely distributed in geographical terms and belong to a wide range of different industries. Especially, The Fund usually provides credit guarantees to SMEs when the level of risk is highest. Once an SME grows strong enough to secure financing directly from the banks without needing a credit guarantee, the Fund's task is over with respect to that SME.

To be eligible to receive a loan guarantee from the SME Credit Guarantee Fund, an SME must have significant growth potential, be operating normally, be able to demonstrate clearly how the loan will be used, be capable of repaying the loan, and have a good debt repayment record; its problems must be limited to inability to provide collateral or find guarantors. Besides handling regular credit guarantees for SMEs, the SME Credit Guarantee Fund has also been commissioned by the government to develop various new types of credit guarantee business, including Credit Guarantees for Young Entrepreneur Loans, for Brand Development Loans, Special Loans for Traditional Industries, for Reconstruction Loans Following Natural Disasters

¹⁴ SMEA, White Paper on SMEs in Taiwan 2010, p. 186

and for Special Loans to Micro-enterprises. There are some special loans with preferential interest rates for upgrading and transformations are provided to SMEs from the SME Development Fund, the Council for Economic Planning and Development Medium and Long-term Development Fund and in cooperation with other public and private funds and financial institutions. One paradoxical issue the Credit Guarantees Fund has to solve is how to implement the risk control measures, while at the same time trying to keep the negative impact on SME financing to a minimum. Many efforts are applied to control the delinquent loan ratio for loans so that the results are positive.

From the first years of the 21st century, to help SMEs to reach sustainable development in the context of the knowledge economy and digital transformation, the Taiwan's government has launched several initiatives to facilitate investments in SMEs and to create for them more ways to obtain the needed capital as follows:

- In October 2003, the SMEA established the “Investment and Trust Account for Incubation and Start-up of SMEs” for the purpose of facilitating investment in domestic SMEs which show potential for development and thus increasing the national competitiveness of Taiwan's industries.
- To stimulate investment in the SMEs' early stages of operation process by venture capital firms and other private-sector companies, on April 17, 2007 the National Development Fund approved the Plan for Promoting Investment in SMEs. The SMEA also assigned designated personnel to provide investment services, including investment advice, diagnosis, and guidance, and organizing investment courses, business meetings, and investment fairs¹⁵.
- In 2010, the Ministry of Culture began implementing the Project to Increase Investment in the Cultural and Creative Industry to call for cooperation of the private sector to invest in the suitable cultural and creative companies, thus giving them greater market value. In 2018, the Cultural Content Investment Project was implemented under this project in order to encourage content industry investors to apply to the Ministry of Culture for joint ventures¹⁶
- To stimulate investment in the strategic service industries to promote service industries and employment, service exports, and the financing of SMEs in service industries, on May 2012, the National Development Fund approved the Plan for Promoting Investment in Strategic Service Industries. This Plan is expected to be implemented over a period of 13

¹⁵ Plan site: <http://www.moeasmea.gov.tw/ct.asp?xItem=1283&ctNode=609&mp=1>

¹⁶ <http://cci.culture.tw/cht/index.php?code=list&ids=21>

years, with the actual investment taking place during the first ten years, and the remaining three years being devoted to the disposal of remaining investments¹⁷.

- In 2015, the National Development Fund especially allocated funds to the Ministry of Economic Affairs' Industrial Development Bureau to implement the Project for Strengthening Investment in Strategic Manufacturing Industries to invest in high-tech industries, enhance the competitiveness of manufacturers, and accelerate industrial transformation and enhancement.
- In 2014, TPEX launched the Go Incubation Board for Startup and Acceleration Firms (GISA) to offer fundraising guidance mechanisms and equity fundraising that is untradeable to innovative micro-enterprises and SMEs that have creative ideas and development potential but which have not yet gone public. It thereby provides micro-enterprises and SMEs with a low-cost method for raising the funds they need to sustain and grow their operations and increase their brand awareness. This will help them recruit outstanding talent, expand their marketing channels, and further enhance their competitiveness to maintain corporate sustainability.
- In 2015, in order to help more young people engage in entrepreneurial activities, the Financial Supervisory Commission (FSC) began allowing securities dealers to implement equity crowdfunding services for companies limited by shares which (1) have a paid-up capital of less than NT\$30 million and (2) have not yet gone public. Such companies are permitted to utilize an approved crowdfunding platform to raise funds.

4.4.3. *Establishment of an SME start-up and incubation platform*

To build Taiwan into an ideal location for SME startup and development, one of the main emphasis of the SMEA when formulating SME policy has been build up SME start-up and incubator platforms. It was encouraged especially since the emergence of the knowledge economy at the beginning of the 2000s and the related issue of how SMEs can make effective use of technology and innovation, integrating information and knowledge so as to constantly develop new products and transform themselves into knowledge-intensive enterprises.

There are a lot of programs and measures have been implemented to build the conducive start-up and incubation platform for SMEs just after the SMEA establishment in 1994 up to date. The main activities are as the follows:

- a) Provision of business start-up consulting and information services to help entrepreneurs turn their ideals into reality, overcome the difficulties at their start-up time...;

¹⁷ Plan site: <http://www.issip.org.tw>

b) Focus on the human resource development through establishment of the Entrepreneurship and Innovation Colleges that provide a range of courses on the practical aspects of new business start-up, helping new enterprises to obtain the knowledge and technology, holding of training courses for entrepreneurial talent. The training is conducted using both conventional and online learning methods. The SMEA presents all trainees with a “lifelong learning passport” to encourage lifelong learning among SME personnel. Beside, to provide a “one-stop shopping” contact point, the SMEA has established a large-scale Integrated Government Education and Training Network website (<http://get.nat.gov.tw>) to integrate information about education and training provision from 10 government agencies. Through the establishment of this website, the SMEA aims to make training and education information available to those who need it more rapidly and more conveniently. The website content includes information about commercial, industrial, healthcare, homemaking, artistic, agricultural and “other” training programs.

c) Promotion of incubator center establishment through providing of subsidies to both public and private ones and funding using the SME Development Fund. Many centers have been established through the island. In 2002 the Taiwan’s government formulated the Asia Entrepreneurial Development Center (AEDC) plan, aiming to build up a comprehensive SME incubation platform that would integrate incubator centers, access to knowledge and information, and venture capital funding.

d) Active participation in the international SME activities within the international organizations such as APEC, OECD, International Council for Small Business (ICSB) to promote international exchange and collaboration, which help Taiwan’s SMEs to achieve sustainable development. The Taiwan’s SMEs and government are the core player in all the APEC activities related to SMEs.

From the beginning of the 2010s, all the activities related to building of the SME start-up and incubation platform have been accelerated to meet the requirements of the speeded up pace of globalization and the industrial revolution, to further the development of a high-quality environment for new business creation in Taiwan, and facilitate the identification of promising early-stage start-ups, while at the same time putting in place a comprehensive support network, the SMEA launched various programs such as Emerging Industries Accelerator Program (from 2013), International Startup Campus Program and Entrepreneur Visa (2015), Lean Startup Guidance Program for Indigenous People of Taiwan (2015), Resident Visa for Entrepreneurs (in July 2016), Start-up Taiwan Program (from 2012), (which embodies Youth Entrepreneurship Program, Youth Entrepreneurship Work Platform), Plan for Start-ups in Science and Technology, Female Entrepreneurship Flying Goose Program, Business Startup Phoenix Plan for Microenterprises, Project for Supportive Platform of Social Innovation Enterprises (in 2018)... The aim is to establish a complete ecosystem for stimulating innovative ideas and strengthening the start-up function, improving incubation to speed up new business growth, optimizing the

support network for new businesses, reaching the sustainable and inclusive development and enhancing of the international cooperation. In 2015, the SMEA established Start-up Hub and completed a new version of its website (<http://sme.moeasmea.gov.tw/startup/>) to provide comprehensive resources and support services, based on the concept of one-stop service and online platform.

The efforts of Taiwan's government and its related agencies on establishment of the start-up and incubation platform are spent year after year so the results are getting better over the years. By the end of 2017, SMEA had provided subsidy to 128 incubation centers and induced cumulated incremental capital investment of NT\$131.6 billion. 104 firms among thousands SMEs that had been cultivated in incubation centers had secured stock market or OTC listing. The total number of people working at these firms was 281,099¹⁸. Besides, many international conferences, forums have been held in Taiwan, among them was the 2018 Global Entrepreneurship Congress+ (GEC+, in partnership with the Global Entrepreneur Network (GEN)). Under the theme "Enabling Social Impact with AI+IoT", the GEC+ brought together IoT companies and startups in Taiwan to utilize their IoT technologies and advantages in software/hardware integrated applications, so that they may gain business opportunities and engage in international cooperation.

4.4.4. Improvement of SMEs' IT, R&D, management capacities

Upgrading of SMEs' IT application capacity

From the late 1990s and the beginning of the 2000s, Taiwan's government was focused on promoting e-business development and on "knowledge management and innovation," in the SME sector. In 2003, SMEA implemented the SME Information Management Guidance to help upgrade the IT application capabilities of Taiwan's SMEs to simplify operating procedures, to reduce operating, management and marketing costs, to establish electronic marketplaces, promote online learning, cultivate knowledge management talent training courses and produce digital teaching materials. At the same time, the Taiwan's government promoted the development of SMEs that can make effective use of knowledge to boost their competitiveness, carrying out of study and analysis of knowledge management application technology and establishment of e-Enablement Service Teams to encourage e-adoption among SMEs in their operations and to strengthen their IT capabilities. Moreover, one integrated information services portal site for SMEs, namely ESMENET, was established and maintained for SMEs, focused on providing consulting services, attraction of SMEs to online training courses for online database setup, e-commerce and management, enhancement of the connectivity and cooperation between SMEs, between them and large businesses and with the counterparts outside Taiwan.

¹⁸ SMEA, 2018 White Paper on Small and Medium Enterprises in Taiwan, p. 78

Besides the Taiwan government has implemented the plan for reducing of the digital divide between industries and the rural and urban areas, which one of the three major sub-plans making up the Executive Yuan's Action Plan to Reduce the Digital Divide. During the three-year period from 2005 to 2007, the emphasis was placed on helping enterprises to strengthen their basic digital capabilities and on helping them to make effective use of information technology to secure new business opportunities. In 2005 MOEA launched the "Bridging Industry Digital Divide Project" focusing on the digital development of rural industries targeting on micro-enterprises with less than 20 employees. Local community-based training activities are provided to increase their ability to conduct digital business, incubate talents, and further extend online opportunities and improve competitiveness. In 2013 Taiwan's government launched the "Digital Inclusion for Small and Medium Enterprises Project". Moving from "Digital Divide" to "Digital Inclusion" represents an in-depth thinking change aiming at encouraging the owners of SMEs, especially middle-aged or senior women and aborigines, to integrate their business into today's digital economy and help traditional business in remote or rural areas use information technology to improve their business. There are some other plans implemented such as SME 4G Smart Mobile Business Application Service Plan, SMEs' Cloud Innovative Application Development Plan, Cross-Border Smart Application Integration Plan for integration of agriculture, food processing, logistics services, e-commerce and other industrial resources through industrial clusters, and improving the industrial value chain to drive innovation and development of related industries and the manufacturing industries ICT value-added application plan launched by Industrial Development Bureau (IDB), MOEA, focuses on helping manufacturing industries move upward along the value chain from OEM model toward ODM and OBM through ICT applications and pro-innovation, pro-business environment.

Enhancing R&D capacities and promoting upgrade and transformation for SMEs

Along with improving IT capacity, the Taiwan's government is also very interested in promoting of R&D activities in the SMEs sector to adapt to the changes in the technological progress, especially in the context of the 4.0 Industrial Revolution. Up to date, various policies and measures are been implemented to promote SMEs' R&D, upgrade and transformation. Among them are:

- In 2010, the Taiwan's government has enacted of the *Statute for Industrial Innovation* to promote industrial innovation, improve the industrial environment, and enhance the competitiveness of industry and the *Law for the Development of the Cultural and Creative Industries* to promote the development of the cultural and creative industries.
- *To promote the establishments and developments of SMEs incubator centers, the science-based industrial parks* not only for building of the platforms for the start-ups and core innovative SMEs, but also give them a chance to participate in the industrial clusters.

- *To organize the “Industrial Upgrading Train” activities* by the SMEA of the Ministry of Economic Affairs to promote innovation, R&D, upgrading and transformation, to encourage enterprises to strengthen product innovation and increase the level of value added provided in their services, thereby contributing to the survival and growth of Taiwan’s SMEs.
- *To encourage SMEs to develop new technology*, in February 1999 the Department of Industrial Technology, Ministry of Economic Affairs initiated the Small Business Innovation and Research (SBIR) plan. SMEs in Taiwan can submitted applications for R&D funding under the SBIR plan. The data have shown that the proportion of the approved applications is relatively high and the government funding support is huge enough, which has stimulated additional SME investment in R&D. That why the implementation of the SBIR program has not only helped Taiwan’s SMEs to make more effective use of knowledge, but also has encouraged them to undertake R&D and innovation activity and share the funding with the government. The R&D results have contributed to increase the SMEs competitiveness, the capacity to participate in the comprehensive industry supply chains, helping to lay the foundations for ongoing economic development in Taiwan. In 2008, the “Promotion of Innovative R&D for Local Industries Program” (Local SBIR) was implemented, which is to assist in funding so that each municipal, county, city government can allocate more funds for R&D addressing the needs of industries with local characteristics. The New Generation SBIR Program was implemented in 2017 in coordination with the 5+2 Industrial Innovation Policy, as well as with the policy goals of innovation, startups, and industry enhancement and transformation.
- *To foster the development of the commercial services industry* and encourage enterprises to engage in research on “new service products,” “new business models” and “new marketing models” or the development of “new business application technologies,” the Department of Commerce has initiated the Service Industry Innovation Research Program “SIIR” through providing of case-based subsidies. In 2018, there are two subsidy categories which are “innovative operations” and “integrated alliance”¹⁹.
- *To encourage SMEs to take a more proactive attitude towards R&D and help them transition to innovative green / digital business models*, the Taiwan’s government has implemented many programs, for example the Measures for Promoting R&D Activity in the Commercial Sector (in 2005). Industrial Upgrade and Innovation Platform Counseling Program, Industrial Technology Development Program (TDP), A+ Industrial Innovation R&D Program, the industrial Upgrade and Innovation Platform Counseling

¹⁹ Program site: <http://gcis.nat.gov.tw/neo-s>

Program, the SME Digital Transformation and Smart Manufacturing Promotion Program (in 2018), the Value-added Program for Industry by Indigenous People (in 2018), Methods for Promoting Technical Innovation in Traditional Industries and many other ones. The measures in these programs usually are the providing of assistance, guidance, creating of suitable environment, helping to create new products/services, value added, to apply the new modern, green, digital technologies, leading to increase the SMEs competitiveness.

- *To create opportunities* for SMEs to participate in the R&D and innovative activities, which include in the comprehensive development programs, such as “LOHAS Taiwan”²⁰.
- To provide *subsidies, low-interest loans* for SMEs in the Internet sector, manufacturing sector, technical services sector and distribution sector and preferential loans for the service sector to help SMEs to undertake R&D. The amount and the period of the subsidies and loans are varied, depending on the nature of the R&D project. There is a government-funded program “Conventional Industry Technology Development (CITD)” that provides enterprises with R&D subsidies which are used to encourage conventional industries to develop new products and new technologies to expand service offerings and make R&D endeavors more prevalent in conventional industries.
- To promote industrial innovation, *a tax deduction* may be applied to the firms but not exceed 30% of its total business income tax liability for any fiscal year. There is tax break for the cases of the tourism development, infrastructure projects.

Strengthening SME Management

In 1992, the Taiwan’s government established an SME Management Guidance System in the hope that, by putting in place the necessary guidance mechanisms, it could encourage SMEs to strengthen their own management capabilities and upgrade the overall quality of their operations. To order to do this, the various related agencies have provided their individual guidance systems - for financing, operational management, new business, incubation, information management, mutual assistance, quality upgrading, pollution prevention, R&D, industrial safety, production technology, and marketing. After the overseeing by several different government agencies, these systems were discussed on the coordinating meetings held by the Ministry of Economic Affairs. Academics and experts were invited to participate in the discussion of key policies at these meetings. By this way, all the individual guidance systems are coordinated and integrated to help Taiwan’s SMEs to strengthen their competitive advantage. The main used measures are provision of guidance and consulting services through utilization of the local services centers, the

²⁰ “LOHAS” means Lifestyles of Health and Sustainability and “LOHAS Taiwan” means Taiwan will become a “LOHAS” paradise for both consumers and business enterprises.

Technology Adoption Teams, implementation of different plans, programs and training courses for helping SMEs to upgrade their management capabilities. The efforts are concentrated on the following:

- *To strengthen the SMEs financial and accounting systems and to ensure them adequate financing* by provision of Loan Guarantees through the SME Credit Guarantee Fund and via Special Purpose Loans;
- *To promote collaboration among SMEs to establish enterprise networks*: Faced with the rapid change of the overall business environment in Taiwan, teamwork is needed to help SMEs leverage their strengths, which may take the form of strategic alliances, intra-industry collaboration, cross-industry collaboration, etc. By working together, SMEs can achieve greater economies of scale, share experiences and mutual assistance; by sharing operational resources (including technology, production, sales and information resources), SMEs can compensate for the lack of resources. The SMEA has been provided guidance for collaboration and exchange associations, guidance for individual collaborative projects, guidance for industry cluster formation, and publishing of the brochures, books outlining the results achieved in the government's guidance efforts.
- *To enhance the functionality of the SME service network*: The SMEA has been working to strengthen the functions of the SME Service Centers located in each of Taiwan's counties and cities, and of the Industrial Development and Investment Promotion Committee SME Service Centers, while also continuing with the implementation of the "honorary SME guidance personnel" system to provide consulting services to SMEs and help them to solve their problems.
- *To promote adoption of intellectual property rights management systems*: The SMEA aims are to help SMEs to build competitive advantage by securing and protecting intellectual property. The SMEA also helps SMEs to apply for and secure Taiwan Intellectual Property Standard (TIPS) certification from the Industrial Development Bureau.
- *To help SMEs to develop branded marketing* To help SMEs develop their own brands, the SMEA provides SME brand management guidance. The key measures include: provision of branding consulting service, short-term diagnostic guidance, provision of general guidance to individual firms, and the holding of presentations to publicize the results of successful guidance provision.
- *To provide operational management guidance to individual SME*; The SMEA has been working to strengthen the provision of operational management guidance to individual SMEs. The key implementation items here include: provision of operational management consulting service, short-term diagnostic guidance, general guidance for

individual enterprises, and the holding of presentations to publicize the results of successful guidance provision.

- *To strengthen the capabilities of management consultants:* The SMEA has established a Management Consultant Training Program to cultivate consultants who are familiar with modern management techniques and who possess an international outlook, a Management Consultant Guidance Capability Strengthening Program to enhance consultants' guidance capabilities and the quality of the service that they provide, and an International Management Consultant Forum to promote international exchange and help management consultants in Taiwan keep up to date with global trends.
- *To enhance the SMEs' product quality management:* The Taiwan's government always encourages SMEs to focus on product quality through the application of international quality standards (ISO), providing of the consulting services in the implementation of those standards, while enhancing the implementation of consumer rights protection, considering it as an indirect channel requiring businesses to improve the quality of their products. In order to make SMEs more aware of the importance of quality improvement to the enhancement of overall operational performance, besides printing posters, slogans and handbooks, the government has also held many training workshops.
- *To provide an opportunity for SMEs to participate in government procurement.* Information on government procurement is provided to them, conducting research on their ability to participate, thereby providing appropriate support solutions

4.4.5. Revitalizing Local Industries

In 1989, the SMEA began to allocate resources to support the development of local cultural industries, making them become special. Over the years, the support and guidance measures have focused on different aspects of local cultural industry development (Table 2). In 2012, the SMEA implemented a new Local Cultural Industry Guidance Plan based on the vision of building competitive Taiwanese local cultural industries, and with the objectives of revitalizing local economies and creating jobs in local communities. The efforts come from the central, local governments and all relevant agencies and are spread across all stages of the production and business process. They focus on helping domestic local cultural industries to develop, to create innovative values, to internationalize their products and activities abroad. All these contribute to strengthening of the economic potential of local cultural industries and promote job creation at the local level.

Regarding to the financing, in 2009, the Local Industry Development Fund was established to promote local economic prosperity in line with the development needs of local industries at the county and city level. It was anticipated that the Fund would help to transform the face of

Taiwan’s local communities, encouraging people to move back to their home areas from the big cities and from overseas, creating new job opportunities, and imbuing local economic development with new vigor. The funds can be allocated to the individual, integrated, regional support projects, proposed by the SMEs and investment projects. The Taiwan’s government always encourages their SMEs to utilize the Local Industry Development Fund and the Local Industry Services Teams on the revitalization path of the local industries.

Table 2: Key aspects of promotional efforts on the Development of Local Specialty Industries in Taiwan 1089-2012

1989 - 1992	Initial introduction of the “local cultural industries” concept; main focus of guidance efforts not yet clarified	1992- 2001	Identifying local resources to serve as a foundation for inter-firm collaboration, and working gradually towards the development of local “brand image”
2001- 2005	strengthen local image, a three-year, three-stage guidance model was adopted to help firms upgrade their operations	2005- 2009	Building on the achievements in strengthening operational capabilities, a new emphasis was placed on guidance aimed to building local image, with “product centric” guidance
2009- 2011	<ul style="list-style-type: none"> • Support from the Local Cultural Industries Development Fund, greater participation by local governments, and a more diversified range of plans • Strengthening local cultural industry product marketing, distribution and licensing 	2011- 2012	<ul style="list-style-type: none"> • Helping local governments to establish “Mini Industrial Parks” • Strengthening guidance for “bright spots;” helping areas with significant potential to develop into models for other areas to follow

Source: SMEA, White Paper on SMEs in Taiwan 2014, p. 202.

Related to the development of new business opportunities for local business both in the domestic and international market, in 2008, the SMEA launched the Four-year Plan for Helping Local Cultural Industries to Create Value (2008–2012), which has the “One Town, One Product” (OTOP) concept as its goal. The use of “Taiwan OTOP” as a joint products branding that embody a high quality image for Taiwan’s local specialty industries is aiming to promote both domestic and export sales and stimulate the development of local tourist industries. Based on the municipal units of township and city, products that are historic, cultural, or unique in the local communities are deemed as the local specialty products; therefore, the scope covered is broad and diversified – processed foods, living crafts, creative living products, rural leisure, creative gourmet, and festival events. The “Taiwan OTOP” program help the communities to determine their local specialty products, conducting licensing service for these products, providing consumers convenience with identification of high-quality specialty products, managing and maintaining OTOP products service value-added network, organizing marketing and sales events, market expansion through international networks and platforms. Besides the Taiwan’s government sees the soft power of Taiwan companies’ innovation and design by providing relevant counseling program that assists the industries to use their innovative aspiration and aesthetics to tell stories for the products and to add points for the brand, thereby to increase added-value for industries.

Under Taiwan's "OTOP" brand image, combined the products with local characteristics and a reputation for high quality, the companies get more chance to expand their domestic and overseas markets, while also targeting local cultural industries that have potential to develop and expand into international markets. In this context, the SMEA launched the "Counseling Project for Internationalization of Local Cultural Industries in Taiwan," which features the use of Taiwan's joint OTOP brand and integrates relevant industry alliances, matchmaking for collaborative development of global channels, and other strategies to help enable Taiwan's local cultural industries expand into international markets. As a result, now the Taiwan's OTOP products are present in some targeted overseas markets such as Canada, the United States, Singapore, Hong Kong, Malaysia, and the Philippines.

Recognizing the urgent need for more marketing guidance resources for Taiwan's SMEs, in 2012 SMEA, MOEA began implementation of the SME Marketing Value Creation Plan, with the aim of providing guidance measures to help SMEs grow and transform themselves. The Administration has also set up an SME Marketing Service Center to provide "one-stop service," including consulting service, resource referral, information collation, planning management and follow-up services, so as to help SMEs overcome the challenges they experience with respect to marketing. Moreover, three "Marketing Service Flagship Teams" were formed from over 30 experienced marketing consultants – specializing in the fields of branding strategy, product development and distribution channel in order to speed up the development of new business opportunities by SMEs. The Industrial Development Bureau, MOEA also launched the Creative Lifestyle Industry Development Plan to help domestic industries transform and upgrade themselves, create new jobs, help enterprises integrate cultural and creative elements into their operations, promote the development of innovative new products, services, locations and activities, and stimulate the adoption of new business models that can contribute to value-added creation and the development of new business opportunities. In 2018, the SMEA began implementing the project "Small Business for Township Revitalization (SBTR)" to guide the SMEs towards a sustainable business model that integrates "production, life, and ecology".

4.4.6. Internationalization SMEs

Recognizing the SMEs as the important driver of the economic growth, in the context of the Go South Policy, Taiwan's government has implemented a lot of measures to help them to internationalize. Among them are:

- *Brand Building and Market Expansion*: In 1992, by implementing of the Industrial Image Enhancing Project, the Ministry of Economic Affairs hoped to create the "Taiwan Excellence" to collectively boost the brand image of domestic SMEs and the various industries in Taiwan. Since then, the Bureau of Foreign Trade has continued to implement this program by utilizing diverse marketing communications to promote

premium “made in Taiwan” products in key markets and improve awareness and positive reception of high-quality products and overall industry image of Taiwan among consumers and buyers in local markets with the ultimate goal of promoting the export of R.O.C. products²¹. In 2013, to enhance Taiwan’s industrial upgrade and transformation, market development and international competitiveness, the Industrial Development Bureau (IDB), MOEA launched Branding Taiwan Plan - to foster the growth and success of Taiwan's commercial brands in international markets.²²

- *Branding, marketing and enhancing R&D* to promote high-quality / affordable products in emerging markets. This combination is revealed in the Project to Promote Most-Valued Products in Emerging Markets (MVP) for the period 2010 – 2012, targeting emerging markets such as China, India, Indonesia and Vietnam. By adopting a four-pronged approach - market demand, innovative R&D, product design, and international marketing, in a framework based on the innovative R&D and production platforms, integrated international marketing platforms, and environment-building platforms, Taiwan’s government helps provide SMEs with coordinated guidance and support that addresses technology, production, design, branding and marketing related issues, to help them develop business opportunities in emerging markets. As part of MVP, the Bureau of Foreign Trade launched the Emerging Market Integrated Marketing Communication Project, targeting emerging markets such as China, India, Indonesia and Vietnam.
- *Promoting SMEs to Expand in the New Southbound Markets*, to create a mutually beneficial models for collaboration with these countries, and to build long-term partnerships by: (1) Providing guidance for industrial clusters, assisting with the establishment of suitable business models, and providing product and service marketing; (2) Constructing an international collaboration network for SMEs and collaborating with overseas institutions; (3) Professional consulting and diagnosis services; (4) Helping large enterprises to lead small enterprises, and provide international marketing and guidance for industrial chains; (5) Organizing a series of activities to create business opportunities
- Promoting international collaboration of the Taiwan’s SMEs through: i) Improvements of the legal framework (for examples signing of a Cross-Straits Economic Cooperation Framework Agreement (ECFA) in 2010 and the signing of a Taiwan-Japan investment protection agreement in 2011, signing of Taiwan SME Memorandum of Cooperation with India and with El Salvador and many other); ii) Implementing of the cooperation

²¹ Plan site: <http://www.taiwanexcellence.org>

²² More details on <https://www.branding-taiwan.tw>

programs, such as the Taiwan-Japan Industrial Co-operation Bridge-Building Plan in 2012; iii) Participating in the international activities related to SMEs.

The collaboration between Taiwan and Japan SMEs is recently enhancing through the establishment of Taiwan-Japan SME Cooperation and Exchange Promotion Platform to provide business intelligence, source of cooperation cases, matching information, and website maintenance, the strengthening of the Taiwan-Japan SME regional clusters cooperation and industrial resource networking, the organizing of the Taiwan-Japan SME business matching activities, to promote substantive, practical collaboration between Taiwanese and Japanese enterprises. The provision of follow-up and counseling regarding business matching opportunities, and trends in third-country markets and to integrate their capabilities with those of Taiwanese firms and build trans-national supply chains and trans-national industry clusters, and to enhance the success rate of Taiwan-Japan SME cooperation in technology, marketing, and funding.

Taiwan has for many years been an active participant in the SME-related meetings and activities undertaken by international organizations such as Asia Pacific Economic Cooperation (APEC), the International Small Business Congress (ISBC), Organization for Economic Cooperation and Development (OECD), the International Council for Small Business (ICSB), the Asian Association of Business Incubation (AABI), and National Business Incubation Association (NBIA), and uses these events and activities as an opportunity to share Taiwan's experience in SME development with other countries.

- *Building of Taiwan to become a place of international startups* by launching of the initiative International Entrepreneur Initiative Taiwan (IEIT). The reasons are Taiwan sits at the center of the Asia Pacific region, has a large and highly educated workforce pool, which is especially abundant with R&D talent, with high intensity IT industrial cluster and rigorous legal and regulatory environment for intellectual property and foreign investment, providing excellent protection for entrepreneurs with innovative ideas and cutting edge technologies. To reach this, the Taiwan Entrepreneur Visa Program and Employment Gold Card Program are implemented.

4.4.7. Manpower cultivation in SMEs

Various government agencies such as the Ministry of Labor and the SMEA, MOEA provides subsidies for individual enterprises and organizations to arrange training programs for their employees in line with operational needs (“individual training”), while also encouraging enterprises in related industries to join forces with one another to implement employee training on a joint basis (“joint training”). The training courses are provided both online and in-person and they are divided as follows:

SMEA focuses on providing of the courses to improve the knowledge and capacity of enterprises in each stage of development, improve enterprises' talent cultivation capacity, and promote lifelong learning passports among SMEs;

- Industrial Development Bureau, MOEA focuses on the professional training by industries.
- The Industrial Development Bureau, Ministry of Education, Ministry of Science and Technology, Ministry of Transportation and Communications, and Ministry of Health and Welfare jointly engaged in cross-departmental collaboration in coordination with developments in the digital economy and the 5+2 innovative industries.
- Department of Commerce, MOEA is eligible to provide the courses on big data analysis, digital marketing, and the Internet of Things (IoT) for the retail and integrated service industries.
- Department of Industrial Technology, MOEA – on the cultivation of international interdisciplinary technology management talent began in 2000.
- Bureau of Foreign Trade, MOEA divided training work into two categories, namely, specialized training and on-the-job training.
- Ministry of Education focuses on Industrial technology graduate programs.
- Ministry of Labor offers a wide variety of practical training courses in cooperation with private training institutes and entrepreneurship courses, to help business entities organize on-the-job training and provides specialized, individual guidance and consultation services to small enterprises with fewer than 50 employees..

All the above suggested that the training courses provided to SMEs are very diversified and covered all the stages of their development process, giving them not only general knowledge, the professional training, but also help them to improve needed capacities and skill to cope with challenges in the changing world - digital learning, incubation, R&D and technology management training, international trade, service, and executive training.

4.4.8. Providing of different awards to enhance the competitions among SMEs

Regular awarding is a very important supporting measure that the Taiwan's government has used to encourage the SMEs to follow the government's policies and measures in order to pursue their development goals. The government and related agencies have launched a series of awards including the National Award of Outstanding Small and Medium Enterprises, the Small and Medium Enterprise Innovation Research Award, the Master's and Ph.D. Thesis Award, the Little Giant Award, the Taiwan SME Innovation Award, the Business Startup Award, the Taiwan Excellence Award etc. Each award has a certain meaning. For example, the National Award of Outstanding Small and Medium Enterprises were set up from 1992 and seen as the Academy

Awards (Oscars) for small and medium enterprises in Taiwan, representing the highest honor of the industries. The Taiwan Excellence Award, established by the Ministry of Economic Affairs of China in 1993, is awarded to the "Taiwan" products with "innovative value" as an example of Taiwan's industry, promoted by the government in the international market, to shape the image of Taiwan's industrial innovation. The Taiwan SMEs Innovation Award was set up in 1993 and given to SMEs that exhibited excellent performances in innovation and research. The purpose of the award is to create a climate promoting innovative R&D to inspire the prosperity of SMEs. The Rising Star Award was set up in 1998 and given to SMEs that display excellence in global trading. The Business Startup Awards is the only SME national award given to start-ups that had been in existence for less than 5 years, and exhibited excellent innovation in technology, product / service, and / or business model.

V. CONCLUDING REMARKS AND IMPLICATIONS

In the beginning of the 1990s, Taiwan's government was well aware of the importance of the SMEs' development to the process of the strengthening regional and global economic integration, so that just after launching of the Go South Policy, it decided to establish the Small and Medium Enterprises Administration (SMEA) belonging to the Ministry of Economic Affairs. Its vision is to create an environment that benefits to the establishment and development of SMEs and to support SMEs to quickly and effectively connecting each other in the resources use and the competitiveness improvement. Besides, aware that the SMEs always face a number of size-induced market failures that affect their survival and development path, Taiwan's government has considered the supporting of SMEs as one of its priorities.

As stated in the Act for Development of Small and Medium Enterprises, the Taiwan's government supporting policies to the SMEs are focused on the conducting of market research and development, improvement of the first class environment for SMEs development, promoting of mutual cooperation, acquisition and securing of the production factors and education and training of competent personnel. The information gathered through the White Papers on Small and Medium Enterprises published annually by the SMEA, Ministry of Economic Affairs has contributed to insist that the Taiwan's government have been pursued these dimensions consistently. At the same time, the White Papers also have shown that the specific plans and programs for the SMEs supporting were always adjusted to adapt to the SMEs development status, the changes in the domestic, regional and global economy, its regional and international economic integration process, requirements of the scientific and technological progress.

Besides the general above mentioned notices, there are some more remarks that have drawn from the studying of the SMEs supporting policies and measures of the Taiwan's government in the context of Go South Policy as follows:

- First and foremost attention is paid to the improvement of the legal system and the promulgation of the law enforcement guidance on-time. The cooperation between the related agencies in this process is as requirement to ensure the SMEs adaptability and legal rights.
- In general, the SMEs supporting activities are comprehensive, across all the stages of their development, as well as of the production and business process. However, it is necessary and always necessary to identify the priorities, on which more attention and efforts are to be spent. In the Taiwan case, they are the creating a first-rate environment for SME development, the strengthening SMEs financial and investment capacities, the establishment of an SME start-up and incubation platform, the improvement of SMEs' IT, R&D, management capacities, the revitalizing of the local industries and the training and education.
- The providing guidance and training is the key of Taiwan's success. Especially, the engagement of experts, including the retired ones, to participate in conducting of the SMEs supporting activities as individual consultants and assistance teams is very appropriate and effective measure in term of both the utilization of high qualified labor force and the results reached by the consultations.
- Placing of the quality improving, branding, Taiwan's image at the center of the marketing programs both in the domestic and international markets.

Looking at the policy landscape for SME development across ASEAN in order to identify the potential gaps and offering recommendations going forward, the report of OECD/ERIA “*SME Policy Index: ASEAN 2018: Boosting Competitiveness and Inclusive Growth*” has showed that Viet Nam is undergoing a comprehensive process of business environment enhancement, presented in the most recent improvements in the tax system, increasingly digital business registration procedures and decentralized licensing procedures and so on. Despite these enhancements to the business environment and growing market opportunities, enterprises continue to face constraints. These include burdensome bureaucratic procedures, technical skills gaps, a volatile financial sector, infrastructure gaps, inconsistencies or gaps in the legal framework, issues surrounding land administration and a rather high incidence of graft. All of these are revealed in the Vietnam's SME policy index. In comparison with the average level for ASEAN, Vietnam lags behind in most dimensions (Figure 3 in Appendix 1)). Compared with Taiwan's supporting policies and measures to SMEs, Vietnam stays much behind in terms of all the aspects – the legal system, startup and incubation platform, financing, promoting investment, capacity building, especially education, training and providing of guidance. Hoping the Taiwan's experiences will help the Vietnam's government in the field of supporting SMEs./.

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APPENDIX 1

Table 1: Taiwan Enterprise Performance 2005, 2010, 2015 and 2017

Units: enterprises; NT\$ billions; thousand persons; %

Indicators	2005			2010			2015			2017		
	All	LEs	SMEs	All	LEs	SMEs	All	LEs	SMEs	All	LEs	SMEs
No. of enterprises	1,253,69	27,599	1,226,09	1,277,58	29,587	1,247,99	1,416,73	32,757	1,383,98	1,471,43	33,817	1,437,61
Share	4	2.20	5	5	2.32	8	8100.00	2.31	1	3	2.30	6
Annual growth rate	100.00	0.88	97.80	100.00	12.78	97.68	2.21	-0.97	97.69	100.00	3.59	97.70
	4.10		4.17	1.54		1.30			2.29	2.11		2.08
No. employed persons	9,942*	1,333	7,648	10,493	1,253	8,191	11,198	1,415	8,759	11,352	1,425	8,904
Share	100.00	13.41	76.93	100.00	11.94	78.06	100.00	12.64	78.22	100.00	12.55	78.44
Annual growth rate	1.59	7.66	1.26	....	...	...	1.07	2.04	1.03	0.75	-0.49	1.07
No. paid employees	7,336*	1,327	5,047	8,104	1,250	5,805	8,860	1,413	6,424	9,006	1,423	6,560
Share	100.00	18.9	68.80	100.00	15.42	71.63	100.00	15.94	72.50	100.00	15.80	72.84
Annual growth rate	2.87	7.50	2.94	...	...	...	1.07	1.99	1.49	0.90	-0.42	1.36
Total sake value	33,941.8	23,941.6	10,000.2	36,239.6	25,530.6	10,709.0	38,875.3	27,072.2	11,803.1	40,169.1	28,029.6	12,139.5
Share	100.00	70.54	29.46	100.00	70.45	29.55	100.00	69.64	30.36	100.00	69.78	30.22
Annual growth rate	6.89	8.68	2.81	20.87	22.79	16.54	-3.39	-4.68	-0.31	4.85	5.58	3.19
Domestic sale value	25,310.9	16,829.5	8,481.4	26,216.1	17,127.2	9,088.9	29,158.8	18,833.6	10,325.2	30,172.9	19,455.8	10,717.1
Share	100.00	66.49	33.51	100.00	65.33	34.67	100.00	64.59	35.41	100.00	64.48	35.52
Annual growth rate	8.81	12.32	2.45	18.20	19.71	15.44	-2.87	-4.27	-0.19	4.59	5.12	3.64
Export sale value	8,630.9	7,112.1	1,518.8	10,023.5	8,403.5	1,620.0	9,716.5	8,238.6	1,477.9	9,996.1	8,573.7	1,422.4
Share	100.00	82.40	17.60	100.00	83.84	16.16	100.00	84.79	15.21	100.00	85.77	14.23
Annual growth rate	1.62	0.96	4.86	28.46	29.57	23.07	-4.94	-5.59	-1.13	5.61	6.63	-0.10

Note: The figure marked * represents the total number of employed persons in Taiwan, including 961,000 government employees

Source: SMEA, White Paper on SMEs in Taiwan 2006, p.23; White Paper on SMEs in Taiwan 2011, p.27; White Paper on SMEs in Taiwan 2016, p.27; White Paper on SMEs in Taiwan 2018, p. 4

Table 2: Overview of the SMEs Development 2001-2005

Units: enterprises, thousand persons, NT\$ million, %

Indicators	Year	2001	2002	2003	2004	2005
No. of enterprises		1,078,162	1,104,706	1,147,200	1,176,986	1,226,095
Share		98.18	97.72	97.83	97.73	97.80
Annual growth rate		0.73	2.46	3.77	2.60	4.17
No. employed persons		7,288	7,361	7,425	7,553	7,648
Share		77.67	77.86	77.56	77.16	76.93
Annual growth rate		-1.58	1.00	0.87	1.72	1.26
No. paid employees		4,636	4,682	4,754	4,903	5,047
Share		68.93	69.15	68.92	68.74	68.80
Annual growth rate		-0.59	0.99	1.54	3.13	2.94
Total sale value		6,814,565	7,495,287	8,708,904	9,726,721	10,000,220
Share		28.38	29.51	31.47	30.63	29.46
Annual growth rate		-9.58	9.56	16.17	11.69	2.81
Domestic sale value		5,541,613	6,144,404	7,381,065	8,278,347	8,481,397
Share		31.11	33.42	36.29	35.59	33.51
Annual growth rate		-10.57	10.88	20.10	12.16	2.45
Export sale value		1,300,385	1,350,884	1,327,839	1,448,374	1,518,823
Share		20.65	19.28	18.11	16.91	17.60
Annual growth rate		-5.08	3.88	-1.71	9.08	4.86

Source: SMEA, White Paper on SMEs in Taiwan 2006, p. 28

Table 3: Share of SMEs in Taiwan by sectors, 2011-2017

Unit: enterprises, NT\$ million, %

Sectors	Year	2011	2012	2013	2014	2015	2016	2017
All SMEs		1,279,784	1,306,729	1,331,182	1,353,049	1,383,981	1,408,313	1,437,616
Agricultural sector		0.90	0.90	0.90	0.85	0.84	0.81	0.83
Industrial sector		19.01	19.07	19.19	19.43	19.45	19.40	19.32
Service sector		80.09	80.02	79.91	79.72	79.72	79.79	79.85
Total sale		11,226,933	11,381,770	11,321,842	11,839,868	11,803,115	11,764,677	12,139,513
Agricultural sector		0.16	0.18	0.19	0.20	0.20	0.21	0.23
Industrial sector		50.13	50.13	48.67	49.27	48.23	47.41	47.69
Service sector		49.70	49.69	51.13	50.53	51.56	52.38	52.09
Domestic sale		9,576,948	9,633,690	9,897,617	10,345,095	10,325,260	10,340,886	10,717,138
Agricultural sector		0.17	0.19	0.19	0.20	0.20	0.20	0.22
Industrial sector		46.28	45.65	45.72	46.23	45.13	44.35	44.73
Service sector		53.55	54.16	54.09	53.58	54.68	55.45	55.05
Export sale		1,649,985	1,748,080	1,424,225	1,494,773	1,477,855	1,423,791	1,422,375
Agricultural sector		0.12	0.10	0.19	0.22	0.23	0.23	0.27
Industrial sector		72.50	74.82	69.21	70.36	69.94	69.66	69.96
Service sector		27.38	25.08	30.60	29.42	29.83	30.11	29.78

Source: SMEA, 2018 White Paper on Small and Medium Enterprises in Taiwan, p. 5

Table 4: Shares of SME by Particular Age, 2005, 2012-2017

Units: Enterprises, %

Year	2005	2012	2013	2014	2015	2016	2017	
							SMEs	LEs
Age								
Total	1,226,095	1,306,729	1,311,182	1,353,049	1,383,981	1,440,958	1,437,616	33,817
Less than 1 year	10.22	7.34	7.42	6.94	7.10	6.63	7.06	0.46
1-2 years	8.81	7.44	7.12	7.59	6.86	6.93	6.73	1.69
2-3 years	7.75	6.15	6.37	6.16	6.62	5.83	6.09	2.15
3-4 years	6.37	5.14	5.39	5.61	5.46	5.77	5.21	2.21
4-5 years	5.19	4.51	4.59	4.80	5.03	4.87	5.24	2.54
5-10 years	19.83	21.53	20.43	19.57	18.50	18.19	18.41	12.73
10-20 years	23.63	24.93	25.17	25.03	25.47	25.98	25.31	31.89
Over 20 years	18.20	22.95	23.52	24.30	24.96	25.80	25.95	46.33

Source: SMEA, White Paper on SMEs in Taiwan 2006, p. 28 and SMEA, 2018 White Paper on Small and Medium Enterprises in Taiwan, p. 11

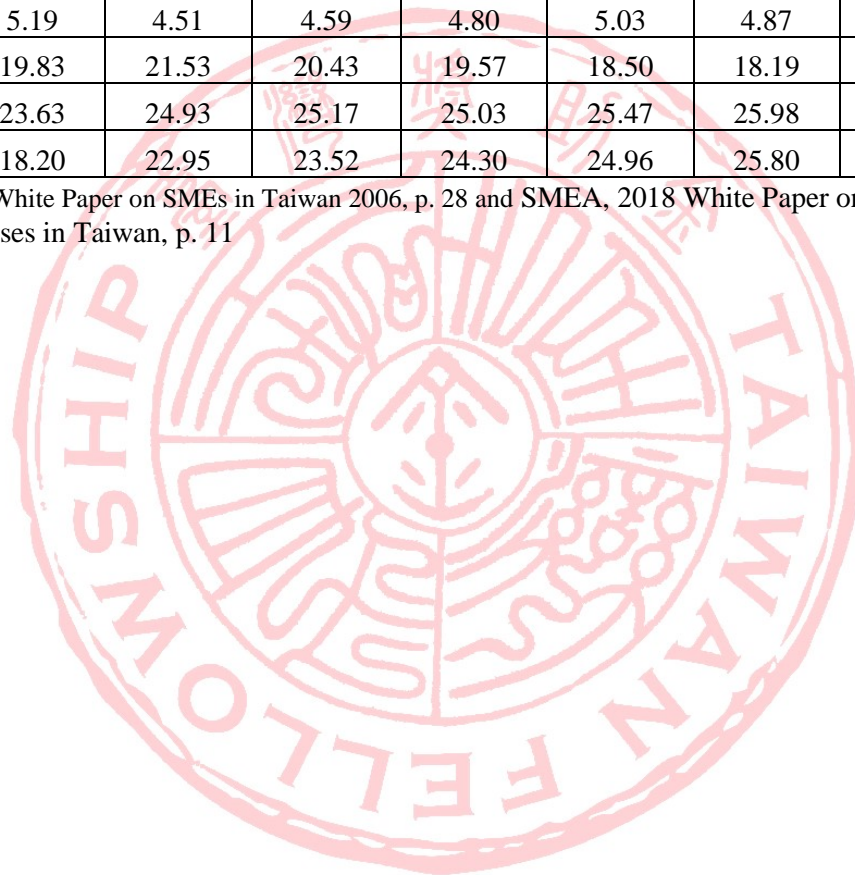
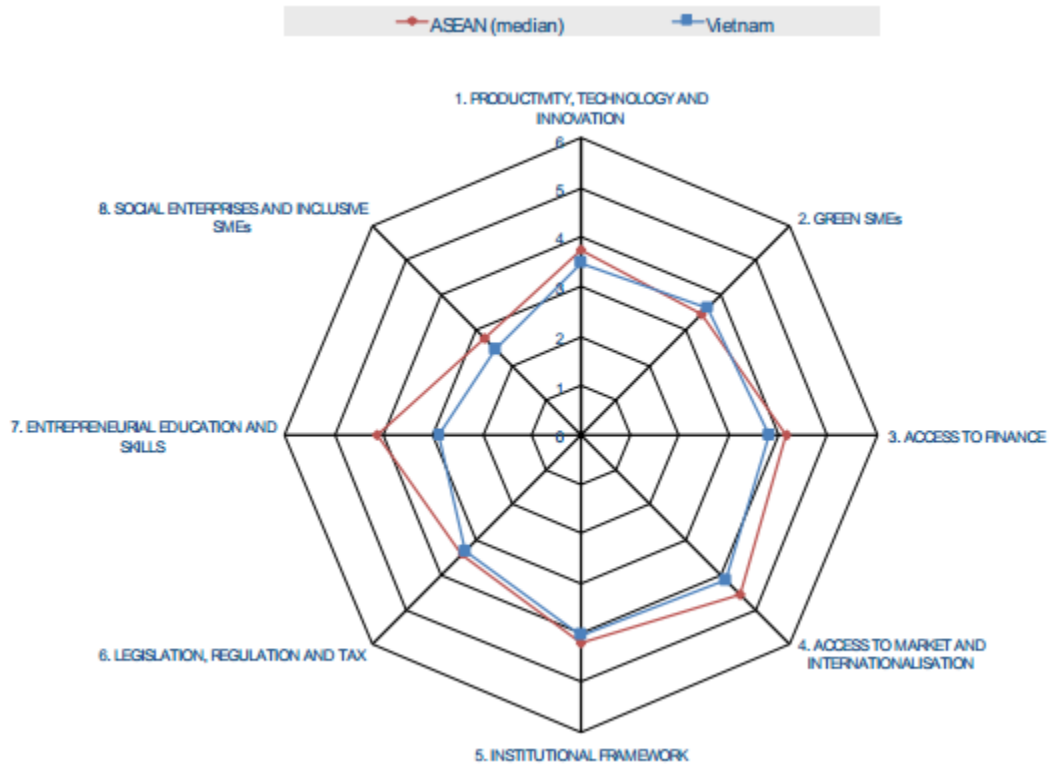
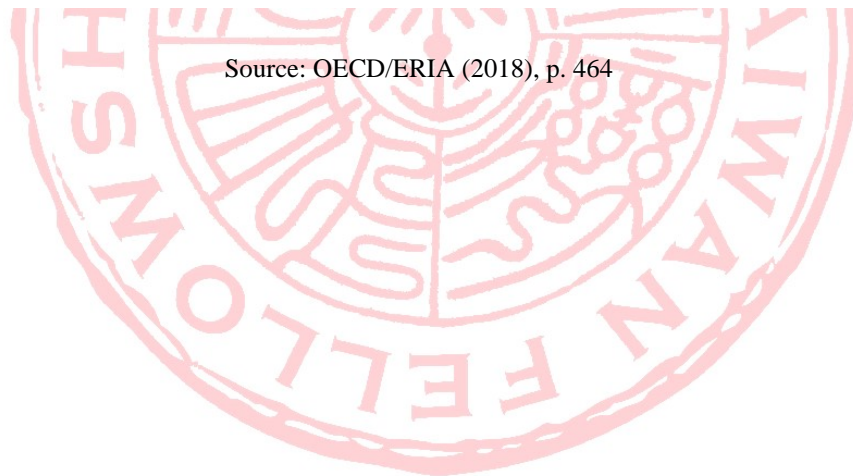


Figure 1: 2018 SME Policy Index Scores for Viet Nam



Source: OECD/ERIA (2018), p. 464



APPENDIX 2

Classification of small and medium-sized enterprises in Taiwan and Vietnam

Industry \ Scale	Micro enterprise	Small sized enterprise	Medium sized enterprise
IN TAIWAN			
Manufacturing, construction, mining quarrying industry		less than 5 regular employees	either paid-in capital of NT\$80 million or less, or less than 200 regular employees
Other industries		less than 5 regular employees	either sales revenue of NT\$100 million or less in the previous year, or less than 100 regular employees
IN VIETNAM			
Government's Decree 56/2009/ND-CP date June 30, 2009			
Agriculture, forestry and fishery	Less than 20 regular employees	From 20 up to 200 regular employees and total capital is up to VND 20 billion.	From 200 up to 300 regular employees and the total capital is between VND 20-100 billion
Industry and construction	Less than 20 regular employees	From 20 up to 200 regular employees and total capital is up to VND 20 billion	From 200 up to 300 regular employees and the total capital is between VND 20-100 billion
Trade and services	Less than 10 regular employees	From 10 up to 50 regular employees and total capital is up to VND 10 billion	From 50 up to 100 regular employees and total capital is between VND 10 - 50 billion
Government's Decree N.39/2018/NDD-CP date March 11, 2018			
Agriculture, forestry and fishery	10 employers or fewer with social insurance and total annual revenue is not more than VND 3 billion or total capital is not more than VND 3 billion.	100 employers or fewer contributed to social insurance and total annual revenue is not more than VND 50 billion or total capital is not more than VND 20 billion,	200 employers or fewer contributed to social insurance and total annual revenue is not more than VND 200 billion or total capital is not more than VND 100 billion,
Industry and construction			

Trade and services	10 employers or fewer and total annual revenue is not more than VND 10 billion or total capital is not more than VND 3 billion.	of 50 employers or fewer contributed to social insurance and total annual revenue is not more than VND 100 billion or total capital is not more than VND 50 billion,	100 employers or fewer contributed to social insurance and total annual revenue is not more than VND 300 billion or total capital is not more than VND 100 billion,
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MOTE; When the SME Law is in force in Vietnam from January 1, 2018, the Decree No. 56/2009/ND-CP has expired, meaning until January 2018, MSMEs were classified by the Decree 56 and after that – by the Decree 39.

SOURCE: For Taiwan: Standards for Identifying Small and Medium Enterprises, promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #10404601530 on March 30, 2015, For Vietnam: Based on Government’s Decree 56/2009/ND-CP date June 30, 2009 and Decree N.39/2018/NDD-CP date March 11, 2018

